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BEFORE THE ARIZONA CORPORATION CC

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Arizona Corporation Commission

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COMMISSIONERS

DOCKETED

MIKE GLEASON - Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON  
GARY PIERCE

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AZ CORP COMMISSION  
DOCUMENT CONTROL

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IN THE MATTER OF THE APPLICATION OF  
NORTHERN SUNRISE WATER COMPANY  
FOR A CERTIFICATE OF CONVENIENCE  
AND NECESSITY TO PROVIDE WATER  
SERVICE IN COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20453A-06-0247

IN THE MATTER OF THE APPLICATION OF  
SOUTHERN SUNRISE WATER COMPANY  
FOR A CERTIFICATE OF CONVENIENCE  
AND NECESSITY TO PROVIDE WATER  
SERVICE IN COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20454A-06-0248

IN THE MATTER OF THE JOINT  
APPLICATION OF NORTHERN SUNRISE  
WATER COMPANY AND SOUTHERN  
SUNRISE WATER COMPANY FOR THE  
APPROVAL OF SALE AND TRANSFER OF  
WATER UTILITY ASSETS, AND  
CANCELLATION OF CERTIFICATES OF  
CONVENIENCE AND NECESSITY, FOR  
MIRACLE VALLEY WATER COMPANY,  
COCHISE WATER COMPANY, HORSESHOE  
RANCH WATER COMPANY, CRYSTAL  
WATER COMPANY, MUSTANG WATER  
COMPANY, CORONADO ESTATES WATER  
COMPANY, AND SIERRA SUNSET WATER  
COMPANY, LOCATED IN COCHISE  
COUNTY, ARIZONA.

DOCKET NOS. W-20453A-06-0251  
W-20454A-06-0251  
W-01646A-06-0251  
W-01868A-06-0251  
W-02235A-06-0251  
W-02316A-06-0251  
W-02230A-06-0251  
W-01629A-06-0251  
W-02240A-06-0251

**NOTICE OF FILING  
STAFF'S ANNUAL SYSTEM  
IMPROVEMENT SURCHARGE  
AUDIT**

On June 29, 2006, the Arizona Corporation Commission ("Commission") issued Decision No. 68826 in the matter of the application for approval of the sale and transfer of utility assets for the Miracle Valley Water Company, Inc., Cochise Water Co., Horseshoe Ranch Water Company, Crystal Water Company, Mustang Water Company, Coronado Estates Water Company, and Sierra Sunset Water Company, (collectively the "McLain Systems" or "Systems") to the Northern Sunrise Water

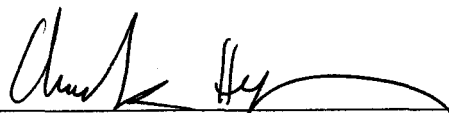
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1 Company and Southern Sunrise Water Company (collectively "Sunrise") and cancellation of the  
2 McLain Systems' Certificates of Convenience and Necessity.

3 In the ordering paragraph, Commission Staff ("Staff") was directed to perform an audit of the  
4 collection and expenditure of the System Improvement Surcharge ("SIS") approved in Decision No.  
5 68667. Decision No. 68667 directed Staff to perform an annual audit of SIS fund expenditures  
6 including an on-site record and infrastructure review to be filed with the Commission each April 1  
7 beginning with April 1, 2007.

8 During the course of evaluating the Sunrise application for approval of the sale and transfer of  
9 the McLain Systems' utility assets, Staff performed an audit and filed its results as part of the Staff  
10 Report filed May 17, 2006 for the above captioned application. As noted in the Staff Report, Staff  
11 recommended and will be performing an additional SIS audit by July 1, 2007 as part of the close out  
12 audit discussed in the Staff Report. Such audit would encompass the period from the inception of the  
13 SIS to the closing of the sale and will be filed in this consolidated docket.

14 RESPECTFULLY SUBMITTED this 30<sup>th</sup> day of March, 2007.

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18 Christopher C. Kempley, Chief Counsel  
19 Charles H. Hains, Attorney  
20 Legal Division  
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25 The original and thirteen (13) copies  
26 of the foregoing were filed this  
27 30<sup>th</sup> day of March, 2007 with:

28 Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

1 Copies of the foregoing were mailed  
2 this 30<sup>th</sup> day of March, 2007 to:

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21 Interim Manager for the McLain Systems

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